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EXECUTIVE SECRETARY

December 1, 1999

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**BY HAND DELIVERY**

David Waddell  
Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243

Re: *Petition to Convene a Contested Case Proceeding to Establish Permanent Prices  
for Interconnection and Unbundled Network Elements*  
Docket No. 97-01262

Dear Mr. Waddell:

Pursuant to the TRA's Order Re Petitions For Reconsideration and Clarification of Interim Order on Phase I, dated November 3, 1999, enclosed is a CD ROM containing the revised Cost Study (HAI Model 4.0) for AT&T Communications of the South Central States, Inc. ("AT&T") and MCI WorldCom, Inc.

Changes have been made to reflect the TRA's clarification as to the recovery of OSS costs and network operations expenses. The recovery of OSS costs was accomplished by treating them as common costs, and loading those costs onto all UNEs in the HAI Model. This was accomplished by changing the common cost-loading factor in the HAI Model from 10.4% to 10.5%. The increase in the loading factor was calculated using work papers in EXCEL file F1.1.xls (in BellSouth's cost studies) to identify the amount of each of the components of OSS costs in BellSouth's cost studies (volume sensitive and insensitive recurring, and volume insensitive nonrecurring labor and additives) on an annual basis, instead of on a per-order basis as originally computed by BellSouth.

Network operations expenses were adjusted by reducing the specific 1996 BellSouth network expenses USOA accounts by 22.5%. The sum total of these accounts was incorporated into the HAI "95 Actuals" file so that 1996 normalized expenses would be reflected in the output of the HAI cost studies.

**FILE**

This cover letter is being served on all parties of record in this proceeding, as indicated on the attached certificate of service. Copies of the CD-ROM are also being served on the parties of record identified on the certificate of service. AT&T will provide a copy of the CD-ROM to any other party who requests a copy.

If you have any questions, please do not hesitate to call me.

Sincerely,

  
Jim Lamoureux 

Encls.

cc: Richard Collier, Esq.

FILE

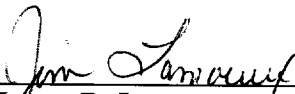
**NASHVILLE, TENNESSEE**

***In Re: Contested Case Proceeding to Establish Final Cost Based  
Rates for Interconnection and Unbundled Network Elements***

***Docket No: 97-01262***

**CERTIFICATE OF SERVICE**

I, James P. Lamoureux, hereby certify that I have served a copy of the foregoing to the following counsel of record via U. S. First Class Mail, postage paid, this 1st day of December, 1999.

  
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